

**CITY OF EDDYVILLE AND  
EDDYVILLE WATERWORKS**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD  
AUGUST 1, 2013 THROUGH JULY 31, 2014**

## Table of Contents

		<u>Page</u>
Officials		3-4
Independent Accountant's Report on Applying Agreed-Upon Procedures		5-6
Detailed Recommendations:	<u>Finding</u>	
 <b><u>City:</u></b>		
Segregation of Duties	A	7
Clerk's Report	B	7
Chart of Accounts	C	7
Payroll	D	8
Certified Budget	E	8
Sales Tax	F	8
Business Transactions	G	9
 <b><u>Waterworks:</u></b>		
Segregation of Duties	A	10
Reconciliation of Utility Billings, Collections and Delinquent Accounts	B	10
Clerk's Report	C	11
Official Depositories	D	11

## City of Eddyville

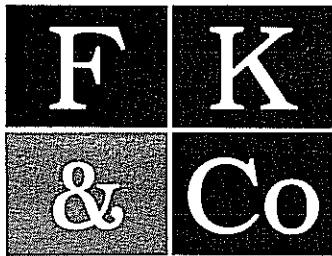
### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
John Johnston	Mayor	Jan 2014
Jim Durst	Council Member	Jan 2016
Wendell Terrell	Council Member	Jan 2014
Dwight Lobberecht	Council Member	Jan 2016
John Simmers	Council Member	Jan 2014
Doug Greenlee	Council Member	Jan 2014
Katie Smith	City Clerk	Indefinite
Life Law Office	City Attorney	Indefinite
(After January 2014)		
John Simmers	Mayor	Jan 2016
Jim Durst	Council Member	Jan 2016
Wendell Terrell	Council Member	Jan 2018
Dwight Lobberecht	Council Member	Jan 2016
Dot Maudlin	Council Member	Jan 2018
Doug Greenlee	Council Member	Jan 2018
Katie Smith	City Clerk	Indefinite
Life Law Office	City Attorney	Indefinite

## **Eddyville Waterworks**

### **Officials**

<u>Name</u>	<u>Title</u>	<u>Term</u> <u>Expires</u>
Alan Katko	Water Board of Trustees	Jan 2018
Bird Lewman	Water Board of Trustees	Jan 2020
Michael Randall	Water Board of Trustees	Resigned Dec 2013
Dale Vroegh	Water Board of Trustees	Jan 2016



**FALLER, KINCHELOE & CO, PLC**

**Certified Public Accountants**

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor, Members of City Council  
and Members of the Water Board of Trustees:

We have performed an agreed-upon procedures engagement of the City of Eddyville, including the Eddyville Waterworks (Waterworks) pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Eddyville and the Waterworks for the period August 1, 2013 through July 31, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council and Waterworks Board meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's and Waterworks' internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City's and Waterworks' financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council and Waterworks Board.
5. We reviewed City's and the Waterworks' funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2014 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

5

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9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed transfers between funds for propriety, proper authorization, and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City and the Waterworks. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above. The City's recommendations are included first followed by the Waterworks' recommendations.

We were not engaged to and did not conduct an audit of the City of Eddyville or the Waterworks, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's or the Waterworks' financial statements. Had we performed additional procedures, or had we performed an audit of the City of Eddyville and the Waterworks, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Eddyville, the Eddyville Waterworks and other parties to whom the City of Eddyville and the Waterworks may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Eddyville and the Waterworks during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Faller, Kincheloe & Co, PLC

December 12, 2014

## CITY OF EDDYVILLE AND EDDYVILLE WATERWORKS

### DETAILED RECOMMENDATIONS

For the period August 1, 2013 through July 31, 2014

#### City:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

1. Cash – handling, reconciling and recording.
2. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
3. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
4. Payroll – recordkeeping, preparation and distribution.
5. Financial reporting – preparing and reconciling.
6. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Clerk's Report – A monthly Clerk's report, including a summary of revenues, disbursements, ending balances by fund and a budget vs actual comparison, is not prepared.

Recommendation – The City Clerk should prepare a monthly Clerk's report which includes a summary of receipts, disbursements and ending balances by fund. Also the Clerk's report should show a budget vs actual comparison. The City Council should review and approve the Clerk's report monthly.

- (C) Chart of Accounts – The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

Recommendation – To provide better financial information and control, the COA, or its equivalent, should be followed.

## CITY OF EDDYVILLE AND EDDYVILLE WATERWORKS

### DETAILED RECOMMENDATIONS

For the period August 1, 2013 through July 31, 2014

(D) Payroll – The following were identified:

- Timesheets tested did not include evidence of supervisory approval.
- We could not locate City Council approval of the wage rates for all employees tested.

Recommendation – All timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. The City Council should approve pay rates for all City employees, with the approval documented in the City Council minutes.

(E) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the public works, culture and recreation, and community and economic development functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

(F) Sales Tax – The City paid sales tax on an invoice. Iowa governments are not required to pay sales tax on purchases.

Recommendation – The City implement procedures to ensure sales tax is not paid on future purchases.



## CITY OF EDDYVILLE AND EDDYVILLE WATERWORKS

### DETAILED RECOMMENDATIONS

For the period August 1, 2013 through July 31, 2014

- (G) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Dwight Lobberecht, Council Member Owner of Riverside Auto Parts	Repairs and maintenance	\$2,073
Dwight Lobberecht, Council Member Owner of Tri-County, Inc.	Repairs and maintenance	\$100
Alan Houser, Employee Owner of Eddyville Market and Deli	Supplies	\$91

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions with Dwight Lobberecht and Alan Houser do not appear to represent a conflict of interest since the total transactions were less than \$2,500 during the fiscal year.

## CITY OF EDDYVILLE AND EDDYVILLE WATERWORKS

### DETAILED RECOMMENDATIONS

For the period August 1, 2013 through July 31, 2014

#### Waterworks:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the Waterworks:

1. Cash – handling, reconciling and recording.
2. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
3. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
4. Payroll – recordkeeping, preparation and distribution.
5. Utilities – billing, collecting, depositing and posting.
6. Financial reporting – preparing and reconciling.
7. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the Waterworks should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The Water Board or other independent person designated by the Water Board should review the reconciliations and monitor delinquent accounts. The reviews should be documented by signing or initialing and dating the reconciliations.

## CITY OF EDDYVILLE AND EDDYVILLE WATERWORKS

### DETAILED RECOMMENDATIONS

For the period August 1, 2013 through July 31, 2014

- (C) Clerk's Report – A monthly Clerk's report, including a summary of revenues, disbursements, ending balances by fund and a budget vs actual comparison, is not prepared.

Recommendation – The Waterworks Clerk should prepare a monthly Clerk's report which includes a summary of receipts, disbursements and ending balances by fund. Also the Clerk's report should show a budget vs actual comparison. The Water Board should review and approve the Clerk's report monthly.

- (D) Official Depositories – A resolution naming official depositories has not been adopted by the Water Board as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Water Board as required.